

# COMMERCE AND INDUSTRY INVENTORY

S U M M A R Y F I N D I N G S 7 - 1993

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## *The Commerce and Industry Inventory Sheds Light on Current Recession*

The 1993 Commerce and Industry Inventory, second in an annual series, updates information about the current health of the economy. It presents economic data from a wide variety of sources, including the U.S. Census, the California Employment Development Department, The State of California Equalization Board, the San Francisco Bureau of Building Inspection and the San Francisco Department of City Planning. The report presents information on the San Francisco economy covering a twenty year period as required by the Administrative Code 10E.2. It compiles sometimes disparate data in consistent formats so that, over time, the dynamics of the economy can be examined. Levels of employment, number of establishments, aggregate wages and proprietors' income, retail sales, city revenues, numbers of building permits, and land use are examined.

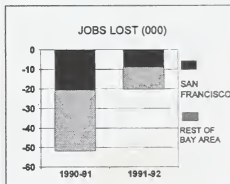
This second Commerce and Industry Inventory follows the same framework established last year, adding information for 1991 and 1992. This recent information describes the recession in the Bay Area and City of San Francisco.

California is experiencing one of the worst recessions of the post war period. This is the first time that this state lags behind the nation in recovering from the recession. Although the effects of the recession in the Bay Area have been less drastic than in Southern California, the City of San Francisco has experienced more severe employment decline as well as reduction of city revenues, retail sales, and construction activities than the Bay Area as a whole.

### *Between 1990 and 1992, Regional Employment Declined While Population Increased*

The nine-county Bay Area population rate of growth has remained steady for the past twenty years and was generally lower than the rate of employment growth. From 1970 to 1990, the Bay Area population increased by 75 percent with an annual average rate of 1.6 percent while employment increased 125 percent at an annual average rate of 5.7 percent. This long term pattern changed between 1990

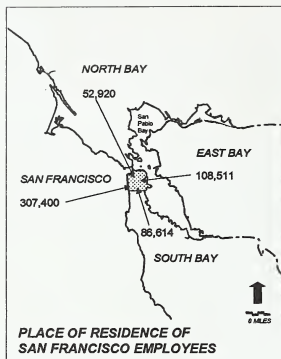
and 1992, when employment in the Bay Area declined by 2.4 percent while population increased by 2.7 percent. There was a net loss of almost 70,000 jobs in the region in the last two years. The North Bay was the only subregion that showed some small employment growth, adding about 54,000 jobs. The other subregions, including the East Bay, North Bay, and South Bay, lost more than 25,000 jobs each.



From 1990 to 1992, San Francisco fared worse than the region. Its employment base was reduced by about 5.2 percent (30,000 jobs) while the region declined 2.4 percent (71,000 jobs). San Francisco accounted for 40 percent of all jobs lost in the region during the past two years. The overall regional employment decline of almost 2 percent from 1990 to 1991 slowed down from 1991 to 1992 when employment declined less than 1 percent. San Francisco employment decline also slowed down from 3.6 to 1.6 percent. ■

## San Francisco Still Regional Employment Center

Employment densities in San Francisco are among the highest in the nation and are much higher than the regional average. There is an average of about 425 employees per square mile throughout the Bay Area as compared to 11,600 employees per square mile in San Francisco, and about 165,000 employees per square mile in the Financial District.



**North Bay:**  
Marin, Sonoma,  
Napa, Solano

**East Bay:**  
Contra Costa,  
Alameda

**South Bay:**  
San Mateo, Santa  
Clara

employee of almost \$1,000. Most Land Use Activities increased their average wage per employee except for Industrial Activities which shows a consistent decrease since 1986. However, the average Industrial wage, \$25,600, still represents the second highest after Government wages. Office wages are the third highest and Hotel and Retail wages the lowest citywide.

### *From 1989 to 1992, San Francisco Reduced Its Employment Base While Retaining Higher Paid Jobs*

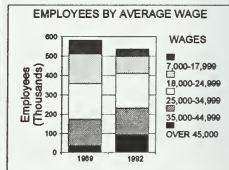
Overall the average wage per employee citywide has declined from 1976 to 1992 by 6 percent. Industrial wages have declined 13 percent and Government and Retail wages have declined by 11 percent. All other categories, Office, Hotel, and Cultural/Institutional, increased their average wage.

In 1992, Finance, insurance, and real estate jobs showed the highest salaries. Paper and chemical manufacturing; electric, gas, and sanitary services; machinery and computer manufacturing; water transportation; and communication also ranked among the highest. Restaurants and personal services have remained the lowest paid jobs since 1976.

Within the Bay Area, San Francisco attracts the largest number of workers from other counties. Of a total of 568,262 jobs in San Francisco, 1990, over 260,000 San Francisco employees or 46% commute from other areas; 108,511 (19%) come from the East Bay, 6,614 (15%) from the South Bay, and 2,920 (9%) from the North Bay. They represent twenty, fifteen, and nine percent of all San Francisco workers, respectively. Of a total of 307,400 employed San Franciscans, only 65,000 or twenty percent commute out of the city; 40,000 to the South Bay and 25,000 to the East Bay.

The North Bay has the smallest number of residents commuting out of its area (112,000) and the East Bay has the largest number (230,000). More than 130,000 of regional employees of the nine Bay Area counties come to work from outside of the region. ■

**T**otal wages citywide (adjusted for inflation) has declined since 1987. From 1987 to 1989, total wages decreased by almost 7 percent, while employment increased by 3 percent. The average wage per employee declined from \$23,900 to \$21,700. From 1989 to 1992, however, employment declined at double the wage decline rate, resulting in an increase in the annual average wage per



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Another interesting finding is that the disparity between highest and lowest average wage per industry in San Francisco has doubled. In 1976, the ratio of the highest average wage per industry group to lowest was 5 to 1 while in 1992 the ratio increased to 10 to 1.

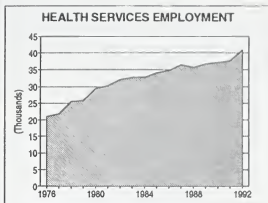
Compared to wage earners, the number of self-employed in San Francisco has grown. The proportion of personal income earned in San Francisco by the self-employed is categorized as "Proprietors' Income" by the U.S. Department of Commerce. It grew from 7 percent to 12 percent of total personal income during the 1980s. ■

From 1976 to 1992, Cultural and Institutional Activities had the highest rate of growth; employment grew 103 percent and wages 110 percent. This category includes health, educational and social services as well as entertainment and artistic activities. It includes some very large institutions like hospitals and schools, and many non-profit establishments. Health, educational, and social services, and membership organizations account for 85 percent of the total employment in this category.

Health services alone represent almost 38 percent of all Cultural and Institutional employment and 8 percent of the total city employment. From 1976

### *Health Services, One of the Largest Employment Groups, Continued to Grow While Overall Employment Declined*

to 1992, health services in San Francisco has grown by almost 20,000 employees. It currently accounts for more



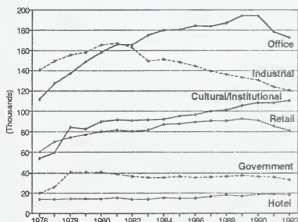
than 40,000 employees. From 1990 to 1992, while San Francisco showed an overall employment decline of 5.2 percent and most industries declined, health services still grew by 10 percent. Within Health services, hospitals represent more than 50 percent of the total employment followed by doctors' offices which represent 25 percent.

On the other hand, from 1976 to 1992, wholesale employment declined by more than 13,000 employees which represents a 35 percent decline. This decline was even faster over the past two years, from 1990 to 1992, when wholesale employment lost almost 7,000 employees or more than 20 percent. However, the average wage per employee during the same period of time for this industry increased from \$39,000 to \$41,000 per year. ■

## Office, Industrial, and Retail Jobs Experienced Largest Decline Over Past Two Years

Office employment represented more than 30 percent of the total employment citywide. In 1990, the largest industry groups within the Office category were commercial banks (23,900), brokers (8,600), insurance

### EMPLOYMENT BY LAND USE ACTIVITIES



carriers (9,600), real estate (14,400), service to buildings (5,500), personnel supply services (9,700), computer and data processing services (5,100), and legal services (20,200). From 1990 to 1992, Office employment declined about 10 percent. The only industry group that displayed some employment growth over these past two years were brokers, insurance carriers, and some miscellaneous business services.

Office employment is the most concentrated activity: 62 percent of all office jobs are located in the Financial District. Retail, Cultural and Institutional activities are more spread throughout the city than other activities. Less than 16 percent of all Retail jobs are located in any one district.

Hotels employ about 18,000 people, about 3 percent of all San Francisco employment. The Retail and Hotel sectors are the parts of the San Francisco economy most closely associated with tourism (although they serve residents as well). These two sectors, combined, accounted for 108,000 jobs in 1990, or 19 percent of all San Francisco jobs. This is fewer jobs than

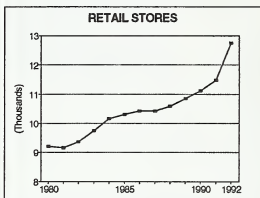
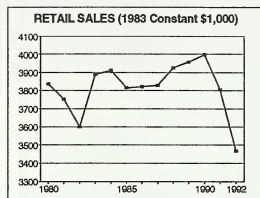
***Restaurants represent more than 30 percent of retail establishments, and generate the largest volume of retail sales.***

either Office uses or Industrial uses provide. Both Retail and Hotel uses experience much more volatile rates of change from year to year than do the larger, more stable office and industrial categories. Retail establishments and Hotels are spread throughout the City, rather than being concentrated in one or a few districts. ■

Retail employment (which includes eating and drinking establishments, specialty stores, large retail establishments and retail personal services such as repair stores), represents 81,000 jobs, about 15 percent of all San Francisco jobs. This percentage has not changed substantially since 1976, although the number of retail jobs has grown as the number of San Francisco jobs has

increased. In 1992, total taxable sales in San Francisco accounted for \$8.4 billion of which \$5.3 billion came from retail stores. From 1980 to 1992, the total taxable sales

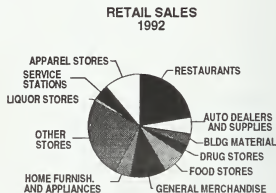
***Number of Retail Stores Increased During the Recession While Sales Declined***



from retail stores adjusted for inflation (CPI 1982-1984=100) showed very small annual changes, except for 1983 when it increased 8 percent and 1992 when it declined almost 9 percent. Between 1990 and 1992, there was a decline in the total volume of sales, at the same time that the number of retail stores

grew. From 1988 to 1992, the average sales per store have declined from \$371,000 to \$272,000 in constant dollars. Food and drug stores were the only businesses that increased their average taxable sales over this period of time.

General merchandise stores and service stations display the largest volume of sales per store (around 10 and 4 times the citywide average) while restaurants and food stores have the smallest (around 85 and 70 percent of the average). From 1980 to 1992, the number of Restaurants has increased constantly but their share of the total re-



tail stores have declined since 1989 while miscellaneous retail stores increased. In 1992, restaurants still generated the most taxable sales (\$1.1 billion) and accounted for the highest number of establishments (3,290) among all retail stores. The largest concentration of restaurants is found in North Beach/Chinatown with more than 15 percent of all restaurants. ■

### City Expenditures Largest in Public Protection, Human Welfare and Neighborhood Development

Most City revenues come from property taxes, and from grants and subventions from other levels of government, although the relative sizes of these revenue sources changed over the 1980s. In 1981, 23 percent of City revenues came from property taxes; in 1992 this share had risen to 31 percent. In 1981, 40 percent of revenues came from grants and subventions; in 1992 this share had fallen to 32 percent. From 1990 to 1992, business taxes and interest and investment earnings declined while grants and subventions, and licenses, fines, and penalties increased in their absolute values. In 1992, the total general revenue for the city was \$1.7 billion.

From 1991 to 1992, City expenditures (in constant dollars) for public protection, culture and recreation were reduced, while community health, public works, transportation, and commerce increased. The largest categories are still public protection (\$297 million) and human welfare and neighborhood development (\$207 million). ■

### AVERAGE TAXABLE SALES PER RETAIL STORE 1992

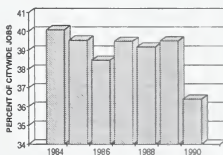


### JOBS SHIFT FROM FINANCIAL DISTRICT TO NORTH CENTRAL DISTRICT

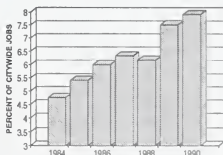
The Commerce and Industry Inventory defines ten "Commerce and Industry Districts" which are cohesive areas with similar economic characteristics. The district's boundaries correspond to Zip Codes because most economic information is available by Zip Codes. The Inventory uses these districts to describe the distribution of jobs, businesses, building permits and land use within the city.

Fifty-five percent of San Francisco jobs are in only two districts: the Financial District and South of Market. Employment density in the Financial district is around 165,000 jobs per square mile, almost 20 times the density in the outlying districts. However, while in 1984 the Financial district contained 40 percent of all San Francisco jobs, in 1990 it only represented 36 percent. During the same period of time the percentage of jobs in the North Central district increased from 5 percent to 8 percent.

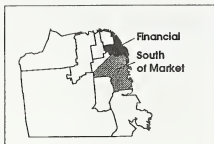
EMPLOYMENT IN FINANCIAL DISTRICT



EMPLOYMENT IN NORTH CENTRAL DISTRICT

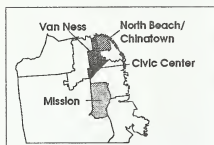






The Financial District is dominated by office employment: 60 percent of its jobs in 1990 were office jobs. Almost half of all 1992 building permit applications (for new buildings or alterations to existing buildings) in the Financial District were for projects other than offices. Of all building permits in the Financial District almost 10% were residential and 16% retail permits.

Forty-five percent of 1992 South of Market jobs were in industry, while 28 percent were in offices. Thirty-five



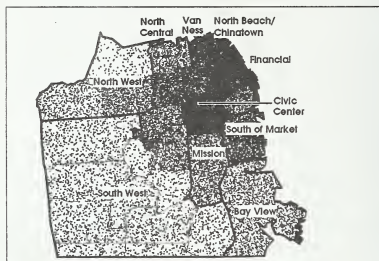
percent of 1992 building permit applications in the South of Market were for office projects and 34 percent for residential projects.

The employment density in the districts surrounding the Financial District is about a seventh of the Financial District, about 23,250 jobs per square mile; and the density in the districts on the West and South boundaries of the city are even lower, approximately 3,045 jobs per square mile.

The districts surrounding the core tend to have more varied activities; usually no more than a third of their jobs are in any single activity. In the Civic Center, 30 percent of 1990 jobs were Retail jobs and 25 percent Office jobs; only 7 percent of jobs were in industry. The second largest source of 1992 Civic Center building permit applications (after residential at 50 percent) was Retail, with 23 percent of applications. Thirty-four percent of Mission District jobs were Cultural and Institutional, 30 percent Industrial, and 26 percent Retail. The second largest source of 1992 building permit applications in the Mission (after residential at 85 percent) was Retail, with 10 percent of applications. North Beach/Chinatown had 32 percent of its jobs in Retail, reflecting its identity as a regional shopping and restaurant center. Van Ness was a close second, with almost 31 percent of its jobs in Retail; 20 percent were in office uses. In both of these districts, applications for Retail building projects were the largest group after housing.

The North Central district (which includes several mixed-use and residential neighborhoods including the Marina, eastern Pacific Heights, the Western Addition, and the Haight-Ashbury) includes a number of educational institutions and hospitals. As a result 50 percent of its 1990 jobs were in the Cultural and Institutional category. From 1981 to 1990, employment in the North Central

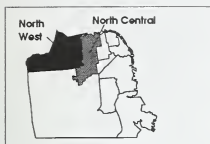
## SAN FRANCISCO EMPLOYMENT DENSITY 1990



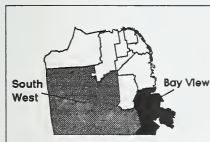
district has shown the highest increase of 75 percent which represents about 20,000 jobs. Similarly, the North West (which includes the Richmond District and Laurel Heights) had 50 percent Cultural and Institutional employment. Both of these districts have large Retail sectors, which supplied about 28 and 30 percent of their jobs. In each of these districts over 86 percent of 1992 building permit applications were for residential projects.

The employment density in the outlying residential areas is about 2,000 per square mile. The Bay View district is the most specialized of any district; 68 percent of its 1990 jobs were in Industry. Fourteen percent were in Retail, almost

none in Hotels. Sixty-nine percent of 1992 building permit applications were for housing, 11 percent (the next largest category) were for industrial projects.



The South West District (which includes the Sunset, West of Twin Peaks, Parkside, Ingleside, Excelsior Districts) contains many largely residential ar-



reas, resident-serving commercial uses, a regional shopping center, and some prominent institutions including City College and San Francisco State University. Twenty-six percent of its 1990 jobs were Cultural and Institutional. Retail uses provided 38 percent of this district's jobs, making it the district with the highest proportion of its jobs in Retail. Ninety-three percent of all South West District building permit applications in 1992 were for residential projects. ■

## DENSITY OF OFFICE BUILDINGS IN THE FINANCIAL DISTRICT 16 TIMES GREATER THAN THE CITYWIDE AVERAGE

As recorded by the Assessor's data, the floor area ratio of Office building in the Financial District is 16 times greater than the average citywide. There are 12 square feet of Office space for every square foot of lot area in the Financial District. The second and third highest densities were found in Hotel buildings within Civic Center and Financial districts with 8.2 and 7.4 square feet for each square foot of land area respectively. The lowest densities were found among Industrial buildings which had 0.4 square feet of building space for each square foot of land. ■

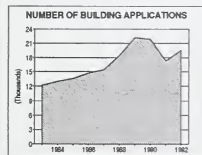
## OFFICE VACANCY RATES DECLINED SINCE 1989

Various real estate agencies have reported a decline of San Francisco annual vacancy rates by about 2 percent over the past four to six years. TRI indicated a decline from 14.2 in 1987 to 10.3 in 1992. Iliff Thorn reported a decline of 13.3 in 1988 to 11.9 in 1992. Cushman and Wakefield shows a first decline from 15.5 in 1986 to 13.2 in 1988 and then from 13.7 in 1990 to 13.0 in 1992. In 1992, the Financial District vacancy rates from different sources range from 11 to 12 percent. South Beach, Showplace Square, Jackson Square, Union Square, and Yerba Buena are among the districts with the highest vacancy rates. ■

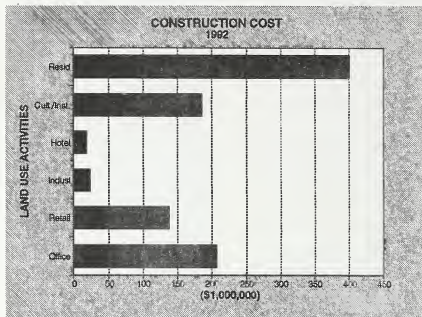
## Construction Declines More Than 60 Percent Over Past Ten Years

This is the first time that building activity data has been compiled and reported over time. From 1983 to 1992, the volume of construction declined from \$957 to \$351 million (in constant 1983 dollars). The number of building permit applications increased from 1983 to 1989 up to 22,000 and then declined to 19,600 in 1992.

In 1992, projects representing almost 23 percent of the construction cost of all new projects were located in the Financial district, 21 percent in South of Market and 17 percent in South West. Because construction projects in the Financial Districts and South of Market tend to be more expensive than those in the outlying districts, the distribution of building permit applications was different: 40 percent of building permits applications were in the South West district, 14 percent in the North Central, and 11 percent in the North West. ■



## MOST BUILDING PROJECTS ARE RESIDENTIAL



Residential projects represent the majority of all building permit applications (73%) and the largest source of building investment (40%). The average construction cost for residential projects is \$23,000, the lowest of the Land Use Activities, perhaps because of the large proportion of alteration and remodeling projects. In 1992, \$389 million was spent on Residential construction compared to \$207 million for Office and \$138 million for Retail. Except for the Financial, Civic Center and South of Market districts, in every district more than half the number and the cost of new projects was for residential projects.

*Copies of full report available at the Department of City Planning 450 McAllister St. SF CA 94102 for \$10.00 or \$12.00 by mail*

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